

Expand Your Horizons: Niche Marketing Success Stories

by Jean Marie Caragher

Niche marketing has become a successful strategy for many CPA firms because it identifies target markets and resources, distinguishes a CPA firm from the competition and generates higher profit margins. Niche market specialties will focus both your firm's marketing program and your marketing professional's activities by providing a foundation for marketing plans and goal setting. This article will provide you with the keys to successful niche marketing as well as niche marketing success stories.

THE KEYS TO SUCCESSFUL NICHE MARKETING

For purposes of this article, niche markets include specific industries (for example, manufacturing, real estate), services (for example, forensic accounting, business valuation), or other buyer groups that have distinctive characteristics (for example, public companies, family businesses). To identify niche opportunities, develop a marketing plan that includes the following components:

Mission statement. A brief statement of your firm's basic purpose. Your mission statement should answer the following questions: What do we do? How do we do it? For whom do we do it?

Situation analysis. Describes the current

status of your firm, the niches you wish to pursue, and your competition.

SMART goals and strategies. SMART goals are specific, measurable, attainable, realistic and timely. Strategies are the action items that will help achieve your goals. For each strategy be sure to include the people responsible for implementation and deadlines.

Implementation. Successful niche marketing plan implementation requires:

- Active support from the firm's managing partner.
- Commitment to the plan by the entire group responsible for implementation, including the necessary skills.
- One person with the ultimate re-



sponsibility for implementation.

- A client/prospect database.
- A system to track prospects, leads, proposals, new and lost clients.
- Incentives.
- Resources.

Budget. On average, CPA firms invest between 2% and 4% of net revenue on marketing.

Develop a niche champion. Without a champion you do not have a niche. The niche champion has the knowledge of the industry or service, is willing and able to lead a team, has the respect of the partners, and has the desire to become a famous person. A famous person is known for their industry or service expertise, attains leadership positions in trade organizations, knows industry vendors and media, publishes articles, and presents seminars and speeches.

FOCUS YOUR MARKETING PROGRAM

Tauber & Balsler PC in Atlanta used a niche marketing strategy to focus its marketing program. After Capstone Marketing conducted a marketing audit in 2003, several niches were identified, including forensic accounting, public companies, not-for-profit organizations, and, subsequently, family businesses. Developing these areas along with providing marketing training, establishing marketing skills by level to guide all employees, and implementing a rewards-and-recognition program enabled the firm to double its revenue in three years to nearly \$14 million.

"Niche marketing is the single most important reason for our firm's growth and profitability," says Mark Murovitz, CPA, managing shareholder.

"Today, firms need to become famous for

the specialized services they provide not only to remain competitive in the business marketplace, but to retain and attract staffing talent from a limited pool of human resources," says Leslie Balmforth, CPA, principal and chief operating officer. "Our professional development program focuses on developing staff in our targeted niche areas by providing the necessary training for certifications and designations and the experience and opportunities to become specialists."

The firm uses a variety of marketing tools to promote its niches, including newsletters, seminars, publishing articles and networking. "We know the importance of market awareness and getting our name out there," Balmforth says.

Niche teams regularly meet to review the status of marketing programs. Each niche has a marketing plan and champion. "The challenge of niche marketing is finding a champion who is committed to making it happen," Murovitz says. "A lack of commitment may occur because CPAs, in general, are risk averse. It's easier taking care of existing clients rather than going out on a limb to develop a new area. You may have to go through a few people before you get the right one."

NICHE TO COMPETE AGAINST LARGER FIRMS

Jay Goldstein, CPA, has witnessed the evolution of Friedman LLP's real estate practice. A partner and chairman of the firm's real estate practice, Goldstein joined the firm in 1969. The firm had a few real estate clients, two of which grew into large, prestigious real estate developers in New York. Today, the real estate niche represents 45% of the firm's revenue.

"In the 1990s we started to look at the



EXECUTIVE SUMMARY

- By identifying target markets and resources, niche marketing can distinguish a CPA firm from its competitors while generating higher profit margins.
- A well-developed marketing plan is the key to successful niche

marketing and can include, but is not limited to, the following components: a mission statement; situation analysis; and SMART (specific, measurable, attainable, realistic and timely) strategies.

- Find a niche champion with

the industry knowledge (and experience), respect of partners and the ability to lead a team. If you lack champions, consider hiring and/or merging with industry specialists.

- Focus your marketing program using a variety of marketing

tools and activities, and implement your strategy consistently.

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Reveal Niches With a Marketing Audit

A marketing audit can help identify target markets for your firm. A marketing audit evaluates various internal and external components. The most important components related to niche marketing include:

Firm profile. Organization charts, billing rates, financial statements.

Partner profile. Partners' personal and professional objectives, firm's specialties, age and tenure with the firm.

SWOT analysis. Strengths, weaknesses, opportunities and threats.

Client analysis. Analyze your clients by industry, fees, number, historical information, fee/growth trends, and how they became clients. Create a profile of your current client base for the past three years including:

- Total standard fees
- Total net fees
- Net fees for each service area
- Chargeable hours for each service area
- List of clients in descending order by fees collected for the past three years

Also, list your clients by SIC/NAIC code and include for each client:

- Standard fees
- Net fees
- Standard fees for each service area (for example, assurance, tax)
- Net fees for each service area
- Total chargeable hours
- Chargeable hours for each service area

Your client analysis should also include a list of clients by geographical location, annual sales, and a list of lost clients for the most recent fiscal year and the reason for the loss.

real estate practice as a niche," explains Goldstein. "We did some rudimentary marketing, placing ads in trade magazines, joining industry associations, writing articles and giving speeches. We started to formalize our niche marketing efforts in 1999 when Carol Schragger joined Friedman LLP

as director of marketing."

"Our marketing efforts are now more planned," he continues. Friedman LLP sponsors three seminars per year, exhibits in five trade shows annually, advertises in real estate publications, and participates in local and national trade associations. New business opportunities and other marketing statistics are regularly tracked.

"We take pride in being able to compete against larger firms," Goldstein says. "Medium-sized firms can show their expertise in a niche area without having a client subjected to the bureaucracy of larger firms. Niche practices focus on smaller areas and growing the practice.

"Niche marketing has had a significant impact on our firm," he says. "It focuses the marketplace on Friedman LLP. To really grow a niche, know the problems your clients face, provide suggestions regarding accounting, tax, and organizational issues—how they run their businesses. It's far better today not to be a jack-of-all-trades but to be a firm with particular expertise in a number of significant areas."

NICHE BASED UPON EXPERTISE

Gorfine, Schiller & Gardyn PA, in Owings Mills, Md., had much expertise in charitable work, not-for-profit organizations and unions. "Not-for-profit is a niche we were comfortable in," says W. James Schiller, CPA, the firm's co-founder and not-for-profit niche champion. "It was natural to pursue this niche since we had a lot of experience."

About 15% of Gorfine, Schiller & Gardyn PA's net revenue is generated from the not-for-profit niche. The niche grew by 30% in 2007 and the number of requests for proposals increased to nearly 30 in 2007 from a handful in 2004. The average client fee is more than \$10,000. "Not-for-profit is the first we can call a niche," Schiller says. "We've targeted clients and started to produce results."

How is this being done? Beth Finglass, director of marketing, works with a not-for-profit team of eight to 10 members, who provide ideas and feedback for the marketing program. A variety of marketing tools are used, including participation in and

teaching classes for the Maryland Association of Nonprofit Organizations, writing articles, sponsoring seminars, publishing a newsletter, hosting "meet and greets" with attorneys and bankers, limited advertising, and serving on not-for-profit boards of directors.

"You have to come up with a plan," Finglass says. "Figure out who you are targeting. What type of clients are you going after? How will you get in front of them?"

Gorfine, Schiller & Gardyn has redefined its not-for-profit target over the years, now focusing on those with \$500,000 or more in total assets. "We've targeted the larger not-for-profits that need audit work," Schiller says. "There are many not-for-profit organizations and unions in the Baltimore area."

DEVELOPING NICHE THROUGH MERGERS

You may identify potential niches for your firm but lack the champions. Hiring and/or merging industry specialists is an effective strategy. That is what happened seven years ago at Schenck Business Solutions in Appleton, Wis. Ken Zacharias, CPA, joined Schenck with the merger of Shinners Hucovski & Co.; and Mark Spaeth, CPA, MST, joined Schenck with the merger of Aronson Schroeder & Co. Zacharias and Spaeth are the co-team leaders of Schenck's real estate and construction niche.

"They spearheaded and set the example of how valuable it is to specialize," says Diane Roundy, MBA, director of business development. "Our shareholders now see the magic about specialization."

"Niche marketing is a great concept if done correctly," Zacharias says. "Our clients are getting larger and more complex, and tax laws are becoming more complex as well. It makes sense to have people that are very good technicians to handle those 'once-in-a-lifetime' transactions. Most clients come to my office because they have a life-or-business-changing transaction that I can help them with. Then, they remain clients because they are treated well."

Zacharias began his real estate industry specialization by becoming an expert in tax-deferred exchanges. "I started receiving re-

quests to speak on the topic," he says. "Then I realized that I should get into other areas of real estate. Once you're considered an expert people presume that you know a lot more."

Schenck continues to formalize its real estate and construction niche. The team takes advantage of national training programs and networking with the instructors. The firm also continues to hire specialists to support the niche, for example, in cost-segregation analysis.

The niche has its own marketing plan and budget. The firm has sponsored a real estate forum for 14 years. "This event helps set the perception of our industry knowledge," says Roundy. Other marketing tools include speeches and a Web site. Ninety-five percent of new business comes from referrals.

Schenck's other niches include health care, government and manufacturing. "Strong leadership and branding, internally and externally, are very important to a niche marketing strategy," Roundy says. "You must have your employees talking about your brand."

Porter Keadle Moore LLP, in Atlanta, a past Capstone Marketing client, generates 75% of its revenue from its community banking niche. The practice started when the owner of an insurance company client asked if the firm was interested in auditing a bank that he owned. Tim Keadle, now a PKM partner, was recruited from Ernst & Young, and he brought a few banking clients with him. In 1987, the firm bought a local practice that had a banking niche. That brought the client base, and the firm gained its reputation.

"Great ideas come from listening to clients," says managing partner H. Phillip Moore Jr. "PKM provides nontraditional services to this niche. We built our SEC practice when our banking clients went public. Recently, we formed our IT Assurance Services Group to provide SAS 70 au-

dit. Since many organizations in the banking industry require SAS 70 audits, we had the contact base to allow us to develop a reputation in this area. The results have exceeded our expectations."

What marketing tools does PKM use to promote its community banking niche? "If there is a community banking function we are there," Moore says. "We sponsor quarterly peer group meetings for newly formed banks and financial executives.

These programs provide education, networking, financial benchmarking, guest speakers and CPE for community bank executives."

PKM also sponsors seminars, sometimes doing a joint venture with other CPA firms or law firms.

PKM formed the Financial Institutions Forum, along with Powell Goldstein and the Bankers Bank, to educate community bankers. They also conduct training programs for internal auditors through the Community Bankers Association of Georgia.

"It was easy for us to build this niche because we are passionate about it, focused on it, and picked an industry that we enjoyed being a part of," Moore says. "For us, that means we are dealing with good folks, they have nice facilities, and it fit what we were looking for in our profession. It has served us very nicely."

Weaver & Tidwell LLP took advantage of its merger with Hoffman McBryde & Co. in 2000 to develop its health care niche. Both firms had many health care clients so it made sense to develop a formal niche.

Jill Eastman, marketing communications manager, joined Weaver & Tidwell in Fort Worth, Texas, in 2003 when the firm's health care niche was being formed. Between 2005 and 2006 the niche increased net revenue by 37%, which was 119% ahead of plan. How did this niche develop and grow?

"I conducted research on our current clients and the marketplace," Eastman says.

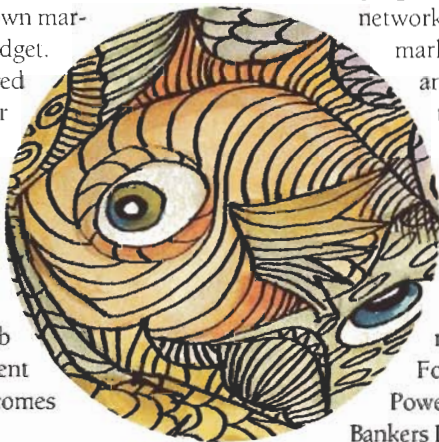
"I also researched every opportunity we had regarding networking organizations. Every month, when the internal health care niche board met, we talked about advertising, speaking and networking opportunities. We presented a lot of our people as speakers.

"Each health care board member received a binder of marketing information including the marketing plan, calendar, events, pipeline and financial reports, public relations opportunities and CPE," Eastman says. "We also spent time building internal support and a reputation for the niche through partner presentations, our intranet and Web site."

Currently, Weaver & Tidwell uses a newsletter, association involvement, small-scale seminars, collateral materials and CPE to promote its health care niche.

CONCLUSION

Developing niche markets is an effective and profitable strategy for CPA firms of any size. Write a marketing plan, identify and support your niche champions, use a variety of marketing tools and activities, and implement consistently to create your own success stories. ❖



AICPA RESOURCES

JofA articles

- "First Form a Plan," Oct. 06, page 79
- "Get Your BV Niche Out There," Nov. 05, page 38
- "Niche Development Tips," Dec. 03, page 45

CPE

Marketing: Successful Strategies for CPA Firms, a CPE self-study course (#181831)

Publication

Marketing Advantage II: New Ideas on Getting and Keeping Clients (#090437)

For more information or to make a purchase, go to www.cpa2biz.com or call the Institute at 888-777-7077.

OTHER RESOURCES

Web sites

- CPA Marketing Tool Kit, www.aicpa.org/cpamarketing
- PCPS Firm Practice Center, <http://pcps.aicpa.org>